

October 27, 2009

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James H. Griggs
12/10/09

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Board Exhibit	Proofs of Publication Docket No. 10-27-09-01 Docket No. 10-27-09-02 Docket No. 10-27-09-04 Docket No. 10-27-09-05 Docket No. 10-27-09-06 Docket No. 10-27-09-07 Docket No. 10-27-09-08 Docket No. 10-27-09-09 Docket No. 10-27-09-10 Docket No. 10-27-09-11	15	15
Board Exhibit	Postings and confirmation of October 27 & 29, 2009, Board meetings on Website of Secretary of State	15	15
Board Exhibit	Hearing Officer Orders	---	---
Exhibit 12 (Item 9)	Abstracting performed by ELM Corporation with run date through 3/30/07 (Willard Simmons) (Received 9/24/09 at OGB)	15	15
Exhibit 13 (Item 9)	Update abstract performed by ELM Corporation with run date through 10/22/08) (Willard Simmons) (Received 9/24/09 at OGB)	15	15
Exhibit 14 (Item 9)	Update abstract performed by ELM Corporation with run date through 11/5/08) (Willard Simmons) (Received 9/24/09 at OGB)	15	15

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 15 (Item 9)	Update abstract performed by ELM Corporation with run date through 12/1/08) (Willard Simmons) (Received 9/24/09 at OGB)	15	15
Exhibit 16 (Item 9)	Division order title opinion with attached 1/23/09 cover letter to Travelers Exploration Co., LLC (John W. Donald, Jr.) (Received 9/24/09 at OGB)	15	15
Exhibit 17 (Item 9)	Supplemental division order title opinion with attached 6/26/09 cover letter to Travelers Exploration Co., LLC (Received 9/24/09 at OGB) (John W. Donald, Jr.)	15	15
Exhibit A (Item 1)	10/15/09 letter to Board (Glenn E. Sparks)	18	18
Exhibit B (Item 2)	10/16/09 letter to Board (Glenn E. Sparks)	18	18
Exhibit C (Item 1)	10/15/09 letter to Board (Glenn E. Sparks)	18	18
Exhibit 1 (Item 2)	Affidavit of testimony of January 14, 2009 (Mike Keen)	19	19
Exhibit 2 (Item 2)	Questionnaire for the Robertson 20-12 #1, Fernbank Field (Mike Keen)	19	19

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 3 (Items 1, 2 & 3)	7/29/09 letter to Board (Glenn E. Sparks)	19	19
Exhibit 4 (Items 1, 2 & 3)	10/7/09 letter to Glen E, Sparks (William T. Watson)	19	19
Exhibit 5 (Item 3)	Second supplemental affidavit of testimony related to Perkins-Young 33-10 (Mike Keen)	19	19
Exhibit 6 (Item 1)	Questionnaire for the Perkins-Young 33-10 #1, North Fairview Oil Field (Mike Keen)	19	19
Exhibit 7 (Items 1 & 3)	8/18/09 letter to Board (Glenn E. Sparks)	19	19
Exhibit 8 (Items 1 & 3)	9/2/09 letter to Board (Glenn E. Sparks)	19	19
Exhibit 9 (Item 1)	Second supplemental affidavit of testimony related to S.H. Gilmer No. 1 (Mike Keen)	19	19
Exhibit 10 (Item 3)	Questionnaire for the S.H. Gilmer #1 South Fairview Carter Oil Field (Mike Keen)	19	19

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 11 (Item 3)	Questionnaire for the S.H. Gilmer #3 South Fairview Carter Oil Field (Mike Keen)	19	19
Exhibit 1 (Item 10)	10/26/09 letter to Steven T. Wolf (G. R. Cain, Union Oil Co.)	21	21
Exhibit 1 (Item 17)	Request for operating permit for North Beach Facility (Jim Cantwell)	26	26
Exhibit A (Item 17)	Piping and instrumentation diagram, glycol skid, Cedar Creek Gas Plant (Jim Cantwell)	26	26
Exhibit B (Item 17)	Flow diagram, Cedar Creek Gas Plant (Jim Cantwell)	26	26
Exhibit C (Item 17)	PSM guidance manual Cedar Creek Gas Plant (Jim Cantwell)	26	26
Exhibit D (Item 17)	Industry Bio (Jim Cantwell)	26	26
Exhibit E (Item 17)	Step 1 construction approval, Cedar Creek Gas Plant (Jim Cantwell)	26	26
Exhibit F (Item 17)	7/21/09 letter to Board (Jim Cantwell)	26	26

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit F supp. (Item 17)	8/5/09 letter to Board with attachments (Jim Cantwell)	26	26
Exhibit G (Item 17)	Petition of CDM Max, LLC (Jim Cantwell)	26	26
Exhibit H (Item 17)	Proposed order of CDM Max, LLC (Jim Cantwell)	26	26
Exhibit I (Item 17)	9/30/09 letter to Charles M Coleman (Jay H. Masingill)	26	26
Exhibit J (Item 17)	Affidavit of notice (Charles M. Coleman)	21	22
Exhibit K (Item 17)	10/2/09 letter to Mike Coleman (S. Marvin Rogers)	21	22
Exhibit L (Item 17)	Return receipt card to Sklar Exploration Co., LLC (Mike Coleman)	22	22
Exhibit M (Item 17)	Return receipt card to Midroc Operating Co. (Mike Coleman)	22	22
Exhibit N (Item 17)	Return receipt card to Columbia Petroleum, LLC (Mike Coleman)	22	22

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 1 (Item 22)	Questionnaire for the Appleton Unit 2-15 #5 well Appleton Field (Roger Chapman)	28	28
Exhibit 2 (Item 22)	Questionnaire for the Appleton Unit 2-14 #1 well Appleton Field (Roger Chapman)	28	28
Exhibit 3 (Item 23)	Questionnaire for the McMillan Trust 12-11 #4 Appleton Field (Roger Chapman)	28	28
Exhibit 4 (Item 23)	2/15/05 letter to Roger M. Chapman (Richard P. Hamilton)	32	32
Exhibit 5 (Item 23)	2/10/05 letter to Roger M. Chapman (Richard N. Raymond)	32	32
Exhibit 6 (Item 23)	2/04/05 letter to Roger M. Chapman (Richard N. Raymond)	32	32
Exhibit 7 (Item 23)	2/10/05 letter to Board (Roger M. Chapman)	32	32
Exhibit 8 (Item 23)	2/14/05 letter to Roger M. Chapman (Richard N. Raymond)	32	32
Exhibit A (Item 26)	Affidavit of notice (William T. Watson)	32	32

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit B (Item 26)	Affidavit of termination John S. Richardson (William T. Watson)	33	33
Exhibit C (Item 26)	Unit Agreement (William T. Watson)	33	33
Exhibit A (Item 27)	Affidavit of notice (William T. Watson)	35	35
Exhibit 1 (Item 27)	Well location plat, Unit for Jones 8-15, Bluff Oil Field (Emil Pawlik)	40	40
Exhibit 2 (Item 27)	Well location plat of existing SE Bluff Upper Carter Oil Unit Sec. 6, 7, 8, 9, 16, 17 & 18, T14S, R13W, Fayette County, AL (Emil Pawlik)	40	40
Exhibit 3 (Item 27)	Dual induction log section, SE Bluff Oil Unit, Bluff Oil Field Jones 8-15 No. 1 (Emil Pawlik)	40	40
Exhibit 4 (Item 27)	Density-Neutron log, Jones 8-15 No.1, SE Bluff Oil Unit, Bluff Oil Field (Emil Pawlin)	40	40

EXHIBITS

EXHIBIT NO. (ITEM NO.)	TITLE (TESTIMONY OF)	OFFERED	RECEIVED
Exhibit 5 (Item 27)	Form OGB-1A, Jones 8-15 No. 1, SE Bluff Oil Unit, Bluff Oil Field (Emil Pawlik)	40	40
Exhibit 6 (Item 27)	Form OGB-2, Affidavit of ownership or control (Emil Pawlik)	40	40
Exhibit 7 (Item 27)	BHP history, SE Bluff Carter Oil sand, Bluff Oil Field (Emil Pawlik)	40	40
Exhibit 8 (Item 27)	Schematic of re-entry of Jones 8-15 No. 1, SE Bluff Carter Oil sand, Bluff Oil Field (Emil Pawlik)	40	40
Exhibit 9 (Item 27)	Workover procedure, re-entry of Jones 8-15 No. 1, SE Bluff Carter Oil Sand, (Emil Pawlik)	40	40
Exhibit 10 (Item 27)	9/4/09 letter to working interest owners (Emil Pawlik)	40	40

October 27, 2009

EXHIBITS
(Incorporated by Reference)

<u>DESCRIPTION</u>	<u>OFFERED</u>	<u>RECEIVED</u>
Order No. 92-5	33	33

STATE OIL AND GAS BOARD OF ALABAMA

Tuscaloosa, Alabama

October 27, 2009

Testimony and proceedings before a Hearing Officer in Regular Session in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, pursuant to adjournment, on this the 27th day of October, 2009.

BEFORE

Mr. Charles E. Pearson Board Vice-Chairman
Mr. Marvin Rogers..... Attorney

STAFF

Dr. Berry H. (Nick) Tew, Jr. Secretary and Supervisor
Dr. David E. Bolin Deputy Director
Mr. Jay H. Masingill Assistant Supervisor
Mr. Butch Gregory Engineer
Mr. Thomas Sexton..... Geologist
Mr. Kirk McQuillan Geologist
Mr. Randy Oglesby..... Geologist
Mr. Bob Roark Geologist

APPEARANCES

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NAME	REPRESENTING
1. Tom Watson Tuscaloosa, Alabama	Spindletop Oil & Gas Co.; Land & Natural Resource; Smackco, Ltd.; Energen Resources Corp.; Hughes Eastern Corp.
2. Roger Chapman Brewton, Alabama	Smackvo, Ltd.
3. Foster Arnold Tusclaoosa, Alabama	De Soto Oil & Gas, Inc.
4. R. G. Sanders Tuscaloosa, Alabama	Land, Inc.
5. Charles M. Coleman Tuscaloosa, Alabama	CDM Max, LLC
6. Jim Cantwell Houston, Texas	CDM Max, LLC
7. Emil Pawlik Jackson, Mississippi	Hughes Eastern Corp.

(The hearing was convened at 10:09 a.m. on
Tuesday, October 27, 2009, at Tuscaloosa, Alabama.)

MR. PEARSON: The State Oil and Gas Board is now in session. Dr. Tew, have the items
for the October 27 & 29, 2009, meeting been properly noticed?

DR. TEW: The items for the October 27 & 29, 2009, docket have been properly noticed
and the docket is due to be admitted into the record.

AGENDA
STATE OIL AND GAS BOARD OF ALABAMA
BOARD MEETING
OCTOBER 27 & 29, 2009

The State Oil and Gas Board of Alabama will hold its regular hearing at 10:00
a.m. on Tuesday, October 27, 2009, in the Board Room of the State Oil and Gas
Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry
Lane, Tuscaloosa, Alabama, and at 10:00 a.m. on Thursday, October 29, 2009, at
the Five Rivers ~ Alabama's Delta Resource Center, 30945 Five Rivers
Boulevard, Spanish Fort, Alabama, to consider among other items the following
items.

1. DOCKET NO. 2-2-09-11A

Continued amended petition by SPINDLETOP OIL & GAS CO., a foreign
corporation authorized to do and doing business in the State of Alabama,
requesting the State Oil and Gas Board to enter an order extending the temporarily
abandoned status of the Perkins-Young 33-10 #1 Well, Permit No. 4204, located in
Lamar County, Alabama, in the North Fairview Oil Field, in accordance with Rule
400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code.
Said well has previously been granted temporarily abandoned status and said status
has expired.

Petitioner requests that the Board grant a one year extension of the temporarily
abandoned status of the referenced well because said well has future utility and
should not be plugged.

2. DOCKET NO. 2-2-09-12

Continued petition by SPINDLETOP OIL & GAS CO., a foreign corporation
authorized to do and doing business in the State of Alabama, requesting the State
Oil and Gas Board to enter an order extending the temporarily abandoned status of

1 the Robertson 20-12 #1 Well, Permit No. 3227, located in Lamar County, Alabama,
2 in the Fernbank Gas Field, in accordance with Rule 400-1-4-.17(1) of the State Oil
3 and Gas Board of Alabama Administrative Code. Said well has previously been
4 granted temporarily abandoned status and said status has expired.

5
6 Petitioner requests that the Board grant a one year extension of the temporarily
7 abandoned status of the referenced well because said well has future utility and
8 should not be plugged.

9
10 3. DOCKET NO. 2-2-09-13

11 Continued petition by SPINDLETOP OIL & GAS CO., a foreign corporation
12 authorized to do and doing business in the State of Alabama, requesting the State
13 Oil and Gas Board to enter an order extending the temporarily abandoned status of
14 the S.H. Gilmer #1 Well, Permit No. 1425, and the S.H. Gilmer #3 Well, Permit No.
15 1920, located in Lamar County, Alabama, in the South Fairview Carter Oil Unit in
16 the Fairview Oil Field, in accordance with Rule 400-1-4-.17(1) of the State Oil and
17 Gas Board of Alabama Administrative Code. Said well has previously been granted
18 temporarily abandoned status and said status has expired.

19
20 Petitioner requests that the Board grant a one year extension of the temporarily
21 abandoned status of the referenced well because said well has future utility and
22 should not be plugged.

23
24 4. DOCKET NO. 3-24-09-01

25 Continued petition by DURANGO OPERATING, LLC, a Mississippi limited
26 liability company, authorized to do business in the State of Alabama, requesting
27 the State Oil and Gas Board to enter an order extending the temporarily
28 abandoned status for the following wells all located in the Foshee Field, Escambia
29 County, Alabama, for a period of one (1) year:

30
31

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
5213	A.T.I.C. 34-9 #1	Section 34, T2N-R8E
5335	Culpepper 34-7 #1	Section 34, T2N-R8E
5167	A.T.I.C. 35-13 #2	Section 35, T2N-R8E
5062	A.T.I.C. 35-14 #1	Section 35, T2N-R8E

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36
37 Said wells are temporarily abandoned. Petitioner is requesting the Board to
38 classify said wells as temporarily abandoned for a period of one (1) year in
39 accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama
40 Administrative Code because all of the wells have future utility in Durango

1 Operating, LLC's operations in Foshee Field, Escambia County, Alabama and
2 should not be plugged.
3

4 5. DOCKET NO. 3-24-09-02

5 Continued petition by DURANGO OPERATING, LLC, a Mississippi limited
6 liability company, authorized to do business in the State of Alabama, requesting
7 the State Oil and Gas Board to enter an order extending the temporarily
8 abandoned status for the Cedar Creek Land and Timber Co. 12-9 #1, Permit #
9 8685, located in Section 12, Township 1 North, Range 8 East in Osaka Field,
10 Escambia County, Alabama, for a period of one (1) year:
11

12 Said well is temporarily abandoned. Petitioner is requesting the Board to classify
13 said well as temporarily abandoned for a period of one (1) year in accordance
14 with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative
15 Code because said well has future utility in Durango Operating, LLC's operations
16 in Osaka Field, Escambia County, Alabama and should not be plugged.
17

18 6. DOCKET NO. 3-24-09-03

19 Continued petition by DURANGO OPERATING, LLC, a Mississippi limited
20 liability company, authorized to do business in the State of Alabama, requesting
21 the State Oil and Gas Board to enter an order extending the temporarily
22 abandoned status for the R. E. Loper et al 12-11 #1, Permit # 2885, located in
23 Section 12, Township 1 North, Range 8 East in Pollard Field, Escambia County,
24 Alabama, for a period of one (1) year:
25

26 Said well is temporarily abandoned. Petitioner is requesting the Board to classify
27 said well as temporarily abandoned for a period of one (1) year in accordance
28 with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative
29 Code because said well has future utility in Durango Operating, LLC's operations
30 in Pollard Field, Escambia County, Alabama and should not be plugged.
31

32 7. DOCKET NO. 3-24-09-04

33 Continued petition by DURANGO OPERATING, LLC, a Mississippi limited
34 liability company, authorized to do business in the State of Alabama, requesting
35 the State Oil and Gas Board to enter an order extending the temporarily
36 abandoned status for the following wells all located in West Foshee Field,
37 Escambia County, Alabama, for a period of one (1) year:

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
5475	A.T.I.C. 33-7 #3	Section 33, T2N-R8E
5359	A.T.I.C. 33-8 #1	Section 33, T2N-R8E
5528	A.T.I.C. Container 33-3 #1	Section 33, T2N-R8E

Said wells are temporarily abandoned. Petitioner is requesting the Board to classify said wells as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because all of the wells have future utility in Durango Operating, LLC's operations in West Foshee Field, Escambia County, Alabama and should not be plugged.

8. DOCKET NO. 3-24-09-10A

Continued amended petition by PALMER PETROLEUM, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Smackover Formation in Petitioner's proposed Grantham-Bass 14-10 No. 1 Well to be drilled on a 160-acre wildcat unit consisting of the Southeast Quarter of Section 14, Township 4 North, Range 14 East, Covington County, Alabama.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

9. DOCKET NO. 5-5-09-13D

Continued amended petition by DE SOTO OIL & GAS, INC., a Florida corporation authorized to do and doing business in the State of Alabama, requesting the State Oil & Gas Board of Alabama ("Board") to enter an order force pooling, without risk compensation, of all tracts and interests in a 640-acre production unit for the Godwin 14-3 No. 1 Well, Permit No. 15687-B, having a production unit consisting of all of Section 14, Township 1 North, Range 7 East, Escambia County, Alabama, in the Big Escambia Creek Field. On February 8, 2008, the Board in Order No. 2008-23, under Docket No. 2-6-08-23, on the petition by De Soto Oil & Gas, Inc. force pooled and integrated with risk compensation the above-described 640-acre production unit in the Big Escambia Creek Field. Following said order Petitioner drilled and completed the Well as a productive gas well in the Big Escambia Creek Field. Petitioner further requests that the Board terminate Board Order 2008-23, the nonconsenting owner under Board Order 2008-23 having consented. De Soto Oil & Gas, Inc. now requests the Board to force pool and integrate all remaining interests in said unit without

1 risk compensation, De Soto Oil & Gas, Inc. having discovered such additional
2 non-consenting owners in said unit subsequent to the drilling of said well. This
3 petition is in accordance with Section 9-17-13, ALABAMA CODE (1975), as
4 amended, and Rules 400-7-1 and 400-7-2 of the State Oil and Gas Board of
5 Alabama Administrative Code.

6
7 10. DOCKET NO. 7-23-09-05

8 Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
9 INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an
10 order extending the temporarily abandoned status of the Roy J. Smith et al 6-10 #1A
11 Well, Permit No. 2355-B, located in the Chunchula Unit in Section 6, Township 1
12 South, Range 1 West, Mobile County, Alabama, for one year, in accordance with
13 Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative
14 Code because said well has future utility and should not be plugged.

15
16 11. DOCKET NO. 7-23-09-06B

17 Continued amended petition by LAND AND NATURAL RESOURCE
18 DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and
19 Gas Board to enter an order extending the temporarily abandoned status of the
20 Winters 19-4 #1 Well, Permit No. 4765-A-1, located on a 320-acre drilling unit in
21 the Coal Fire Creek Field consisting of the North Half of Section 19, Township 18
22 South, Range 14 West, Pickens County, Alabama, for one year, in accordance with
23 Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative
24 Code because said well has future utility and should not be plugged.

25
26 12. DOCKET NO. 7-23-09-07

27 Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
28 INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an
29 order extending the temporarily abandoned status of the R.J. Newman et al 21-11 #1
30 Well, Permit No. 4412-A, located in the Turnerville Field on a 160-acre drilling unit
31 consisting of the Southwest Quarter of Section 21, Township 1 South, Range 1
32 West, Mobile County, Alabama, for one year, in accordance with Rule 400-1-4-
33 .17(1) of the State Oil and Gas Board of Alabama Administrative Code because said
34 well has future utility and should not be plugged.

35
36 13. DOCKET NO. 7-23-09-09

37 Continued petition by LAND AND NATURAL RESOURCE DEVELOPMENT,
38 INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an
39 order extending the shut-in status of the Northington 11-9 #2 Well, Permit No.
40 12740-A, located in the West Detroit Field on a 320-acre drilling unit consisting of
41 the East Half of Section 11, Township 12 South, Range 16 West, Lamar County,

Alabama, for one year in accordance with Rule 400-1-4-.17(2) of said State Oil and Gas Board of Alabama Administrative Code because said well has future utility and should not be plugged.

14. DOCKET NO. 9-8-09-02

Continued petition by BLACK WARRIOR METHANE CORP., an Alabama corporation, requesting the State Oil and Gas Board to enter an order force pooling, without the imposition of a risk compensation penalty, all tracts and interests in hydrocarbons produced in the Westervelt 17-08-572 Well to be drilled on a 40-acre unit consisting of the Southeast Quarter of the Northeast Quarter of Section 17, Township 20 South, Range 8 West, Tuscaloosa County, Alabama, in the Brookwood Coal Degasification Field.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

15. DOCKET NO. 9-8-09-05A

Continued amended petition by HIGHMOUNT BLACK WARRIOR BASIN LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board, pursuant to Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order extending the temporarily abandoned status for the following wells located in St. Clair County, Alabama, in the Big Canoe Creek Field, for a period of one (1) year:

<u>WELL NAME</u>	<u>PERMIT NO.</u>	<u>LOCATION</u>
Bjornson 32-16-07	14620	S32-T13S-R5E
Sloss, et al 35-13-09	14621	S35-T13S-R4E
West 35-08-05	15268	S35-T13S-R4E.

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the referenced wells because said wells have future utility and should not be plugged.

16. DOCKET NO. 9-8-09-07

Continued petition by ESCAMBIA OPERATING CO., LLC, a foreign limited liability company, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the Powell Gas Unit 19-4 #1 Well, Permit No. 2991, located on a 640-acre unit consisting of Section 19, Township 1 North, Range 9 East, Escambia County, Alabama, in the Flomaton Field, for a

1 period of one (1) year, in accordance with Rule 400-1-4-.17(1) of the State Oil and
2 Gas Board of Alabama Administrative Code.

3
4 Petitioner has previously been granted temporarily abandoned status for the
5 referenced well and requests that the Board grant a one year extension of such status
6 because said well has future utility and should not be plugged.

7
8 17. DOCKET NO. 10-27-09-01

9 Petition by CDM MAX, LLC, a Texas Limited Liability Company, qualified to
10 do and doing business in the state of Alabama ("Petitioner") requesting the State
11 Oil and Gas Board of Alabama ("Board"), pursuant to Rule 400-1-7-01 of the
12 State Oil and Gas Board of Alabama Administrative Code to approve the
13 construction and operation of its proposed North Beach Gas Processing Facility to
14 be located in Section 17, Township 4 North, Range 13 East, Conecuh County,
15 Alabama, for the purpose of processing natural gas from wells located in the Little
16 Cedar Creek Field area.

17
18 18. DOCKET NO. 10-27-09-02

19 Petition by STETSON PETROLEUM CORP., a foreign corporation, authorized
20 to do and doing business in the State of Alabama, requesting the State Oil and Gas
21 Board of Alabama to enter an order extending the temporarily abandoned status of
22 the Scott Paper Co. 25-14 No. 1 Well, Permit No. 6303, located on a 160-acre unit
23 consisting of the West Half of the Southeast Quarter and the East Half of the
24 Southwest Quarter of Section 25, Township 4 North, Range 7 East, Conecuh
25 County, Alabama in the Northeast Barnett Field, for one year, in accordance with
26 Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative
27 Code. Said Well has future utility to the operations of Stetson Petroleum Corp.
28 and should not be plugged.

29
30 19. DOCKET NO. 10-27-09-03

31 Petition by MIDROC OPERATING COMPANY; a foreign corporation,
32 authorized to do and doing business in the State of Alabama, requesting the State
33 Oil and Gas Board to enter an order force pooling, with a risk compensation
34 penalty, all tracts and interests in hydrocarbons produced from the Smackover
35 Formation in Petitioner's proposed McMillan 36-4 Well to be drilled on a 160-acre
36 wildcat drilling unit consisting of the Northwest Quarter of Section 36, Township 4
37 North, Range 10 East, Conecuh County, Alabama.

38
39 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
40 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
41 Administrative Code.

20. DOCKET NO. 10-27-09-04

Petition by VENTEX OPERATING CORP., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving a 160-acre wildcat drilling unit, the confirmation of which is defined by 3-D seismic, consisting of the South Half of Southeast Quarter of Northeast Quarter of Northwest Quarter, the South Half of South Half of Northwest Quarter of Northeast Quarter, the South Half of Southwest Quarter of Northeast Quarter of Northeast Quarter, the East Half of Southeast Quarter of Northwest Quarter, the Southwest Quarter of Northeast Quarter, the West Half of Southeast Quarter of Northeast Quarter, the Northeast Quarter of Northeast Quarter of Southwest Quarter, the North Half of Northwest Quarter of Southeast Quarter, the Northwest Quarter of Northeast Quarter of Southeast Quarter, the North Half of Southeast Quarter of Northeast Quarter of Southwest Quarter, the North Half of South Half of Northwest Quarter of Southeast Quarter and the North Half of Southwest Quarter of Northeast Quarter of Southeast Quarter, all in Section 15, Township 6 North, Range 7 East, Monroe County, Alabama. Petitioner proposes to drill the Andreeff-Floyd 15-7 No. 1 Well on said 160-acre drilling unit at a location 924 feet FNL and 715 feet FWL of said 160-acre wildcat drilling unit, as an exception to Rule 400-1-2-.02(2)(b) of the State Oil and Gas Board of Alabama Administrative Code which provides that a well may be drilled on a drilling unit consisting of a governmental quarter section.

This petition is filed as a companion to a petition bearing Docket No. 10-27-09-05 requesting the forced pooling, with imposition of the risk compensation fee, of all tracts and interests in hydrocarbons produced from the Smackover and/or Norphlet Formation in the referenced well.

21. DOCKET NO. 10-27-09-05

Petition by VENTEX OPERATING CORP., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order force pooling, with a risk compensation penalty, all tracts and interests in hydrocarbons produced from the Smackover and/or Norphlet Formation in Petitioner's proposed Andreeff-Floyd 15-7 No. 1 Well to be drilled on a 160-acre wildcat drilling unit consisting of the South Half of Southeast Quarter of Northeast Quarter of Northwest Quarter, the South Half of South Half of Northwest Quarter of Northeast Quarter, the South Half of Southwest Quarter of Northeast Quarter of Northeast Quarter, the East Half of Southeast Quarter of Northwest Quarter, the Southwest Quarter of Northeast Quarter, the West Half of Southeast Quarter of Northeast Quarter, the Northeast Quarter of Northeast Quarter of Southwest Quarter, the North Half of Northwest Quarter of Southeast

Quarter, the Northwest Quarter of Northeast Quarter of Southeast Quarter, the North Half of Southeast Quarter of Northeast Quarter of Southwest Quarter, the North Half of South Half of Northwest Quarter of Southeast Quarter and the North Half of Southwest Quarter of Northeast Quarter of Southeast Quarter, all in Section 15, Township 6 North, Range 7 East, Monroe County, Alabama.

This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama Administrative Code.

This petition is filed as a companion to a petition bearing Docket No. 10-27-09-04 requesting the Board to enter an order approving said 160-acre wildcat drilling unit for said well.

22. DOCKET NO. 10-27-09-06

Petition by SMACKCO, LTD., an Alabama limited partnership, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the Appleton Unit 2-14 #1 Well, Permit No. 3854-B, and the Appleton Unit 2-15 #5 Well, Permit No. 6247-B, both located in Section 2, Township 3 North, Range 9 East, Escambia County, Alabama, in the Appleton Field Unit, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code because said wells have future utility and should not be plugged.

23. DOCKET NO. 10-27-09-07

Petition by SMACKCO, LTD., an Alabama limited partnership, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the McMillan Trust 12-11 #4 Well, Permit No. 4991, located on a 160-acre wildcat unit consisting of the Southwest Quarter of Section 12, Township 3 North, Range 9 East, Escambia County, Alabama, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility and should not be plugged.

24. DOCKET NO. 10-27-09-08

Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order approving a 320-acre drilling unit for Petitioner's proposed Benton 25-1 No. 1 Well consisting of the Northeast Quarter of Section 25, Township 15 South, Range 15 West and the Northwest Quarter of Section 30, Township 15 South, Range 14 West, Lamar County, Alabama, as a productive extension of the Hells Creek Field, as an exception to Rule 3(a) of the Special Field Rules for said Field

1 which states that a well shall be drilled on a drilling unit consisting of a
2 governmental half section. The proposed Benton 25-1 No. 1 Well is located in
3 the Northeast Quarter of said Section 25. The Northeast Quarter of said Section
4 25 is within the Hells Creek Field and the Northwest Quarter of said Section 30 is
5 adjacent to the Hells Creek Field.
6

7 This petition is filed as a companion to a petition bearing Docket No. 10-27-09-09
8 requesting the forced pooling, with imposition of the risk compensation fee, of all
9 tracts and interests in hydrocarbons produced from the Carter Sand in the
10 referenced well.
11

12 25. DOCKET NO. 10-27-09-09

13 Petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an
14 Alabama corporation, requesting the State Oil and Gas Board to enter an order
15 force pooling, with a risk compensation penalty, all tracts and interests in
16 hydrocarbons produced from the Lewis Sand in Petitioner's proposed Benton 25-1
17 No. 1 Well to be drilled on a 320-acre drilling unit consisting of the Northeast
18 Quarter of Section 25, Township 15 South, Range 15 West and the Northwest
19 Quarter of Section 30, Township 15 South, Range 14 West, as a productive
20 extension of the Hells Creek Field, Lamar County, Alabama. The proposed
21 Benton 25-1 No. 1 Well is located in the Northeast Quarter of said Section 25.
22 The Northeast Quarter of said Section 25 is within the Hells Creek Field and the
23 Northwest Quarter of said Section 30 is adjacent to the Hells Creek Field.
24

25 This Petition is in accordance with Section 9-17-13, Code of Alabama (1975), as
26 amended, and Rule 400-7-2-.01 of the State Oil and Gas Board of Alabama
27 Administrative Code.
28

29 This petition is filed as a companion to a petition bearing Docket No. 10-27-09-08
30 requesting the Board to enter an order approving said 320-acre drilling unit for
31 said well.
32

33 26. DOCKET NO. 10-27-09-10

34 Petition by ENERGEN RESOURCES CORPORATION, an Alabama corporation,
35 requesting the State Oil and Gas Board to enter an order: 1) approving the
36 termination of the field-wide Unit known as Unit I in the Taylor Creek Coal
37 Degasification Field, Tuscaloosa and Greene Counties, Alabama, in accordance with
38 Article 15.2 of the Unit Agreement and 2) amending the Special Field Rules to
39 delete Rules 10, 11 and 12 relating to Unit Operations.

Upon petition by Meridian Oil, Inc., said Unit I was approved on January 30, 1992, by Board Order No. 92-5, the effective date for Unit I being February 1, 1992, consisting of the Southwest Quarter of Section 24, all of Sections 25 and 26, the East Half of Section 27, the East Half of Section 34, and all of Sections 35 and 36, all in Township 22 South, Range 13 West; the Southwest Quarter of Section 30 and the West Half of Section 31, all in Township 22 South, Range 12 West; and all of Sections 1, 2, and 3, the Northeast Quarter of Section 10, the North Half and the Southeast Quarter of Section 11, and the West Half of Section 12, all in Township 24 North, Range 2 East, all being in Tuscaloosa and Greene Counties, Alabama. On May 23, 2005, Energen Resources Corporation, successor operator to Meridian Oil, Inc., declared that said Unit I was terminated by the Working Interest Owners and that all wells in said Unit had been plugged and abandoned as of May 23, 2005.

27. DOCKET NO. 10-27-09-11

Petition by HUGHES EASTERN CORPORATION, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving an exceptional location for the re-entry of the Jones #1 8-15 Well, Permit No. 2722, for an attempted re-completion in the Upper Carter Sand as defined for the Southeast Bluff Upper Carter Oil Unit in the Bluff Oil Field, Fayette County, Alabama. Said well is located 1,980 feet from the east line and 1,100 feet from the south line of Section 8, Township 14 South, Range 13 West, Fayette County, Alabama. At that location the well is only 220 feet from the North line of the Unit boundary and, as such, is an exception to Rules 17(a) and 17(b) of the Special Field Rules for the Bluff Oil Field. Said Rules state that every well drilled as a producing well or an injection well in said Unit shall be located at least 330 feet from every exterior boundary of the Unit Area.

Said well was previously completed in 1979, in the Carter Sand Gas Pool as defined in the Special Field Rules for the Bluff Gas Field on a 320-acre unit consisting of the East Half of said Section 8, but was plugged and abandoned on March 29, 1989.

28. DOCKET NO. 7-23-09-12

Continued MOTION BY THE STATE OIL AND GAS BOARD for Operator Holland Operating Company, Inc., to show cause why the wells located in the Moundville Coal Degasification Field, Hale County, Alabama listed hereinbelow should not be ordered plugged and abandoned in accordance with Rule 400-3-4-.14 of the State Oil and Gas Board of Alabama Administrative Code relating to Plugging and Abandonment of Wells. Further, as a part of this Motion by the Board, the operator shall show cause why equipment, pipelines, and other facilities associated with these wells, including but not limited to natural gas

1 pipelines, compressor stations, "tin" horns, pipeline risers, and water gathering
2 lines should not be removed, cleaned up, or dismantled and all sites restored in
3 accordance with the Board's rules and regulations.
4

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
14811-C	Tubbs 10-5	Sec. 10, Township 23 North, Range 5 East
14812-C	Stephenson 10-4	Sec. 10, Township 23 North, Range 5 East
14813-C	Tubbs 9-8-1	Sec. 9, Township 23 North, Range 5 East
14814-C	Tubbs 9-1 No. 2	Sec. 9, Township 23 North, Range 5 East
14887-C	Tubbs 9-1 No. 3	Sec. 9, Township 23 North, Range 5 East

11
12 The Board may, as a part of this Motion, order that surety holding surety bonds on
13 these wells pay the proceeds of the well bonds to the Board so that the Board's
14 staff may plug and abandon the wells and restore the well sites and dismantle,
15 remove and restore all associated sites.
16

17 Further, as a part of this Motion, the Board may order that a portion of the monies
18 in the Alabama Coalbed Methane Gas Plugging Fund be collected by the Board
19 pursuant to Section 9-17-133 et. seq. of the Code of Alabama (1975).
20

21 Failure of the operator to comply with the Board's rules, regulations, and orders
22 may result in the Board issuing fines or taking other sanctions against operator,
23 Holland Operating Company, Inc.
24

25 Hearings of the State Oil and Gas Board are public hearings, and members of the
26 public are invited to attend and present their position concerning petitions.
27 Requests to continue or oppose a petition should be received by the Board at least
28 two (2) days prior to the hearing. The public should be aware that a petition may
29 be set for hearing on the first day or second day of the hearing or may be
30 continued to another hearing at a later date. We suggest, therefore, that prior to
31 the hearing, interested parties contact the Board to determine the status of a
32 particular petition. For additional information, you may contact the State Oil and
33 Gas Board, P. O Box 869999, Tuscaloosa, Alabama 35486-6999, Telephone
34 Number 205/349-2852, Fax Number 205/349-2861, or by email at
35 petitions@ogb.state.al.us.
36

37 MR. ROGERS: The Hearings Reporter has received and compiled the proofs of
38 publication for the items appearing on the docket for the first time. These proofs of publication
39 for the items on the October 27 & 29, 2009, docket are admitted into the record. Furthermore,

1 copies of the information posted on the Website of the Secretary of State announcing these two
2 meetings of the State Oil and Gas Board on October 27 & 29, 2009, and a confirmation of
3 successful postings from the Secretary of State are also admitted into the record.

4 MR. PEARSON: Those items are admitted, Mr. Rogers.

5 (Whereupon, the proofs of publication and the
6 postings and confirmations with Secretary of
7 State were received in evidence)

8 MR. PEARSON: I have been appointed by the Board as Hearing Officer to hear only one
9 item today which is the petition by De Soto Oil & Gas, Inc., Docket No. 5-5-09-13E. After that
10 the hearing will be conducted by Mr. Rogers who has been appointed by the Board as Hearing
11 Officer as to the remaining items. Are there any parties present in regard to the De Soto petition
12 that I just identified? Ms. Arnold and Mr. Coleman, I would recognize as the attorneys for both
13 the petitioner and the respondent opponent, are present. Ms. Arnold, we have received
14 approximately three boxes of the abstract and division order title opinion that were submitted per
15 my instructions after the hearing last time. We are going to admit those into the record which I
16 do so at this time based on my instructions at the hearing last time.

17 (Whereupon, the abstract and division order title
18 opinion was received by the Board on 9/24/09
19 following the 9/10/09 hearing of the Board)

20 MR. PEARSON: We are not going to take any further testimony as we said and the record
21 is now closed on that item. My recommendation to the Board is going to be that the petition be
22 granted. As I understand it, Ms. Arnold, you have submitted a proposed order which stipulates
23 that the costs are to be applied prospectively under the force pooling order. Is that correct?

24 MS. ARNOLD: Yes that's correct.

25 MR. PEARSON: My recommendation will be that the petition be granted with that
26 stipulation, Mr. Coleman.

27 MS. ARNOLD: Could I make one clarification?

28 MR. PEARSON: Yes.

1 MS. ARNOLD: Not only did the boxes contain the abstracts but they contained the
2 division order title opinion by John Donald and a supplemental division order title opinion as
3 well.

4 MR. PEARSON: Okay. Thank you. Mr. Coleman, any comments?

5 MR. COLEMAN: The only comment I was requesting is whether my client would
6 consent to the hearing today and she has advised that she did not consent to it. I have no further
7 comment, Mr. Chairman.

8 MR. PEARSON: We are not going to take any further evidence or testimony at this point.
9 The record will be closed following admission of the abstract, the division order title opinion and
10 the supplemental division order title opinion and I will make my recommendation to the full
11 Board. Thank you.

12 MS. ARNOLD: Thank you.

13 MR. PEARSON: At this time Mr. Rogers is going to conduct the rest of the session as
14 Hearing Officer appointed by the Board.

15 MR. ROGERS: The procedure for the rest of the meeting is as follows: All remaining
16 items on the docket will be heard today. There will be no hearing at Spanish Fort, Alabama, as
17 previously advertised. That hearing was set for this Thursday. We will prepare a
18 recommendation of these items to be submitted to the Board. We will make the following
19 recommendations to the Board. The following items are due to be continued: Item 4, Docket
20 No. 3-24-09-01, petition by Durango Operating LLC; Item 5, Docket No. 3-24-09-02, petition by
21 Durango Operating LLC; Item 6, Docket No. 3-24-09-03, petition by Durango Operating LLC;
22 Item 7, Docket No. 3-24-09-04, petition by Durango Operating LLC; Item 8, Docket No. 3-24-
23 09-10A, petition by Palmer Petroleum, Inc.; Item 11, Docket No. 7-23-09-06B, petition by Land
24 & Natural Resource Development, Inc.; Item 12, Docket No. 7-23-09-07, petition by Land &
25 Natural Resource Development, Inc.; Item 13, Docket No. 7-23-09-09, petition by Land &
26 Natural Resource Development, Inc.; Item 14, Docket No. 9-8-09-02, petition by Black Warrior
27 Methane Corp.; Item 15, Docket No. 9-8-09-05A, petition by HighMount Black Warrior Basin
28 LLC; Item 16, Docket No. 9-8-09-07, petition by Escambia Operating Co. LLC; Item 18, Docket

1 No. 10-27-09-02, petition by Stetson Petroleum Corp.; Item 24, Docket No. 10-27-09-08,
2 petition by Land & Natural Resource Development, Inc.; Item 25, Docket No. 10-27-09-09A,
3 petition by Land and Natural Resource Development, Inc. and Item 28, Docket No. 7-23-09-12,
4 Motion by the Board. I will recommend that the following petitions be dismissed without
5 prejudice: Item 19, Docket No. 10-27-09-03, petition by Midroc Operating Company; Item 20,
6 Docket No. 10-27-09-04A, petition by Ventex Operating Corp. and Item 21, Docket No. 10-27-
7 09-05, petition by Ventex Operating Corp. Any comments or questions on those? Mr. Watson?

8 MR. WATSON: Mr. Rogers, I would ask that Item 13 be dismissed without prejudice.

9 MR. ROGERS: Is that a request for a temporary abandoned status?

10 MR. WATSON: The well has been plugged and the forms filed so that item should be
11 dismissed.

12 MR. MASINGILL: It has? I don't know.

13 MR. ROGERS: I think we had it continued. Do you know, Tom, if they have filed the
14 plugging reports?

15 MR. WATSON: Yes sir.

16 MR. MASINGIL: If that has been done we can recommend that it be dismissed, if not,
17 we will continue it Mr. Watson.

18 MR. ROGERS: We will check to be sure that the plugging report is in. If it is, we will
19 recommend that it be dismissed without prejudice, Mr. Watson. That is Item 13, Docket No. 7-
20 23-09-09, petition by Land. Any other comments or changes to these recommendations? The
21 first item to be heard today is Item 1, Docket No. 2-2-09-11A, petition by Spindletop Oil & Gas
22 Company.

23 MR. WATSON: Mr. Rogers, on Items 1, 2 and 3 if you could consolidate those I have
24 some updated positions or conditions from Spindletop that I would like to enter into the record.

25 MR. ROGERS: All right. Items 1, 2 and 3 are consolidated. Item 2 is Docket No. 2-2-
26 09-12, petition by Spindletop. Item 3 is Docket No. 2-2-09-13, petition by Spindletop.

27 MR. WATSON: I have prefiled these letters that I have just handed up to you to be
28 included in the record from Glenn Sparks who is the Corporate Counsel for Spindletop. He has

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1 stated to the Board to the attention of Dr. Tew the updated conditions on these wells that he had
2 asked the Board to continue the TA status on. I would let those letters speak for themselves but
3 basically the timetable that was originally presented for getting some equipment brought over
4 from Texas, getting some wells plugged and getting a compressor installed are all explained in
5 those letters. I would ask that you make these letters dated October 15 and October 16, 2009,
6 addressing the three docket items on your agenda today a part of the record, Mr. Rogers.

7 MR. ROGERS: Those items are admitted into the record.

8 (Whereupon, the letters were received in evidence)

9 MR. WATSON: And would request that you make your recommendation to the Board
10 based on the update and continue these items until the December hearing of the Board.

11 MR. ROGERS: Mr. Masingill.

12 MR. MASINGILL: Mr. Watson, I know earlier Spindletop committed to have this work
13 done by September 8th. I think what the Board would be very interested in hearing is a
14 commitment to some timeframe related to Item 1 and Item 3, Item 3 being the ones they say they
15 will plug and abandon and Item 1 being the one they say when they come over to do that they
16 will bring the pump jack. I think what we are very interested in hearing is a commitment on a
17 date by which that would be done.

18 MR. WATSON: In this letter they suggest the spring of 2010, to have all that done by
19 the spring of 2010, to get through the weather, to get through the economic conditions that are
20 explained in this letter.

21 MR. MASINGILL: By what date in the spring are we talking about? We're just looking
22 for kind of a firm date.

23 MR. WATSON: To your meeting in March whenever that would occur.

24 MR. MASINGILL: Okay.

25 MR. WATSON: Whatever that date is.

26 MR. MASINGILL: Okay. What information do we want to put in the record? I know
27 that you have filed affidavits and a lot of letters.

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1 MR. WATSON: Everything that has been included in the record to date except these
2 October 15th and October 16th letters. That's what I would like to put in the record.

3 MR. MASINGILL: Some of it has not actually been put into the record. It has been
4 continued and it is in the file.

5 MR. WATSON: I would ask that you include into the record of this hearing today all
6 previously filed correspondence, affidavits and exhibits relating to these three items.

7 MR. MASINGILL: Okay. There were several affidavits and then a supplemental. We
8 will just put in the most recent one that was filed.

9 MR. WATSON: That will be fine.

10 MR. MASINGILL: We had separated those out by individual docket items.

11 MR. ROGERS: We'll go through it. We have an affidavit from Mike Keen dated
12 January 14, 2009. We have a questionnaire on the Robertson 20-12. We have a letter dated July
13 29th from Glenn Sparks to the Board and a letter from Tom Watson to Glen Sparks dated October
14 7th. We have the second supplemental affidavit from Mike Keen dated August 28th. We will
15 admit the questionnaire on the Perkins-Young 33-10 No. 1. We have a letter dated August 18th
16 from Glenn Sparks and a letter dated September 2nd from Glenn Sparks. We are not going to
17 admit the first supplements. We have the second supplemental affidavit relating to the S.H.
18 Gilmer No. 1 Well, Docket No. 2-2-09-13, a questionnaire related to Docket Nos. 2-2-09-11 and
19 2-2-09-13 and a completed questionnaire on the S.H. Gilmer No. 3 Well. I think that's all.

20 (Whereupon, the letters, affidavits and
21 questionnaires were received in evidence)

22 MR. MASINGILL: Mr. Watson, I know you are addressing Items 1 and 3. I guess we
23 thought there would be somebody here to address Item 2.

24 MR. WATSON: No sir. It is addressed in the letter.

25 MR. ROGERS: Do you want to discuss it some more? We can do it now or take a break,
26 Mr. Masingill. Which well does that relate to?

27 MR. MASINGILL: That is the letter dated October 16th.

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1 DR. TEW: That is the letter related to the Robertson 20-12 No. 1, Permit No. 3227,
2 correct, Mr. Watson?

3 MR. WATSON: Yes.

4 MR. ROGERS: We'll take a five minute recess.

5 (Whereupon, the hearing was recessed for two minutes)

6 MR. ROGERS: The hearing is again in session. With respect to Item 2 we are going to
7 continue that to the next hearing. We would like to have a witness.

8 MR. MASINGILL: I think we would, Mr. Watson, on that particular item.

9 MR. ROGERS: Any questions about that, Mr. Watson?

10 MR. WATSON: All you have to do is ask. I will have somebody here.

11 MR. ROGERS: Anything on these other items? We have continued that one and with
12 respect to 1 and 3 he asked that it be continued or granted?

13 MR. MASINGILL: Continued until March. We'll just make a recommendation based
14 on the evidence.

15 MR. ROGERS: We will review the evidence and make a recommendation to the Board,
16 Mr. Watson.

17 MR. WATSON: Fine.

18 MR. ROGERS: That brings us to Item 10, Docket No. 7-23-09-05, petition by Land and
19 Natural Resource Development, Inc.

20 MR. WATSON: Mr. Rogers, as the record reflects this is a continuation of an item
21 where Land and Natural had assumed the operatorship of the Roy J. Smith 6-10 No. 1A well
22 located in the Chunchula Field, not a unit well. There were statements at our last hearing about
23 Chevron applying to take this well back and to attempt to recomplete the well. I have for you an
24 unsigned letter from Chevron to Land and Natural showing that Chevron has made the decision
25 to apply for a change of operatorship for this well. This letter has been negotiated between Land
26 and Chevron and is submitted to you today with a recommendation that this item be continued
27 until the December hearing of the Board at which time this letter should be signed, the
28 application for a change of operator should have been filed by that time so that then Chevron can

1 attempt to go in and complete another zone in this well. I am introducing this unsigned letter to
2 show you the good faith effort being made to reassume this well so that the well should not be
3 plugged and abandoned until this operation is concluded by Chevron.

4 MR. ROGERS: This is the proposal that is being circulated for signature that would do
5 what you said.

6 MR. WATSON: That's correct.

7 MR. ROGERS: We will admit this unsigned letter from Chevron to Mr. Wolf of Land
8 and Natural Resources.

9 (Whereupon, the letter was received in evidence)

10 MR. ROGERS: Anything else, Mr. Watson?

11 MR. WATSON: That's all.

12 MR. ROGERS: The staff will review the evidence and make a recommendation to the
13 Board. The next item is Item 17, Docket No. 10-27-09-01, petition by CDM Max, LLC.

14 MR. COLEMAN: Mr. Rogers, Mike Coleman for the petitioner, CDM Max, LLC,
15 seated here with Mr. Jim Cantwell who is the President of CDM Max, LLC. This is a petition by
16 CDM Max, LLC, a Texas limited liability company, qualified to do and doing business in the
17 State of Alabama requesting the State Oil and Gas Board of Alabama pursuant to Rule 400-1-7-
18 .01 of the State Oil and Gas Board of Alabama Administrative Code to approve the construction
19 and operation of its proposed North Beach Gas Processing Facility to be located in Section 17,
20 Township 4 North, Range 13 East, Conecuh County, Alabama, for the purpose of processing
21 natural gas from wells located in the Little Cedar Creek Field area. There has previously been
22 filed with the Board an affidavit of publication and a separate affidavit of notice requested by
23 you, Mr. Rogers, that other operators in the field be notified of that. I would ask that those be
24 admitted into the record if they haven't already been.

25 MR. ROGERS: All right. My letter to you, Mr. Coleman, is admitted. Your affidavit of
26 notice is admitted and the green cards from these other operators, Columbia, Midroc and Sklar,
27 are admitted.
28

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(Whereupon, the letter, affidavit and green cards were received in evidence)

MR. COLEMAN: This particular petition is somewhat unique and novel I suppose but my client seeks to build a gas processing facility and operate it in connection with the Little Cedar Creek Field. In looking at rules of the Administrative Code, Rule 400-1-7-.01, Processing Facilities provides for a two-step process for this approval. The first which I will refer to as Step 1 requires that certain information be provided to the Board and is set out in a petition. That has been done and preliminary approval has been given for Step 1 by Mr. Ralph Hellmich of the Mobile office. Secondly, the rule requires a step-two process requiring certain requirements to be submitted to the Board including assurances regarding the future operation of the plant. That information has also been submitted to the Board. There have been some exhibits prefiled but I have a set of exhibits today that I would like to pass out if I might. If you are ready to proceed I would call Mr. Cantwell as a witness.

MR. ROGERS: Will you state your name and address?

MR. CANTWELL: Jim Cantwell, Houston, Texas.

(Witness was sworn by Mr. Rogers)

MR. COLEMAN: Exhibit D is an industry biographical sketch for Mr. Cantwell. I am just going to ask him if he could briefly testify before the Board regarding his qualifications, his past training and education and work experience.

MR. CANTWELL: I graduated with Honors from the University of Texas in Austin with a Mechanical Engineering degree and have for the last 32 years been involved in different aspects of the oil and gas industry with a focus on surface facilities, oil and gas treating and processing and marketing.

MR. COLEMAN: Have you ever had occasion to testify in a court of law regarding oil and gas matters?

MR. CANTWELL: Yes sir.

MR. COLEMAN: Would you briefly describe that situation?

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1 MR. CANTWELL: I was retained by the firm of Lemle Kellerher in Shreveport,
2 Louisiana, to testify in regards to a gathering dispute between two producers as an expert witness
3 in natural gas gathering and treating.

4 MR. COLEMAN: Is it fair to say you have a good deal of experience with regard to
5 surface processing gathering facilities for natural gas?

6 MR. CANTWELL: Yes sir.

7 MR. COLEMAN: Your company currently operates some other facilities in Louisiana,
8 does it not?

9 MR. CANTWELL: Yes we do. We operate two facilities on the Gulf Coast of
10 Louisiana, the first being the Patterson Plant, 600 million cubic feet a day design capacity,
11 cryogenic expander plant, processing gas off the Trunkline Gas System offshore. The second
12 being a plant we constructed in Grand Chenier, Louisiana. The Grant Chenier Plant has a design
13 capacity of 600 million a day and is a combination refrigeration/cryogenic gas plant, processing
14 gas from on and offshore on the Tennessee Grant Chenier system.

15 MR. COLEMAN: Are you familiar with all the exhibits that are contained in this
16 notebook?

17 MR. CANTWELL: Yes sir.

18 MR. COLEMAN: Have you had occasion to review all those or to participate in their
19 preparation?

20 MR. CANTELL: Yes sir.

21 MR. COLEMAN: Are they true and accurate to the best of your knowledge?

22 MR. CANTWELL: Yes sir.

23 MR. COLEMAN: I would request that Mr. Cantwell be recognized as an expert by the
24 Board in this matter.

25 MR. ROGERS: He is so recognized.

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1 MR. CANTWELL: Yes sir.

2 MR. COLEMAN: Would you briefly describe that situation?

3 MR. CANTWELL: I was retained by the firm of Lemle Kellerher in Shreveport,
4 Louisiana, to testify in regards to a gathering dispute between two producers as an expert witness
5 in natural gas gathering and treating.

6 MR. COLEMAN: Is it fair to say you have a good deal of experience with regard to
7 surface processing gathering facilities for natural gas?

8 MR. CANTWELL: Yes sir.

9 MR. COLEMAN: Your company currently operates some other facilities in Louisiana,
10 does it not?

11 MR. CANTWELL: Yes we do. We operate two facilities on the Gulf Coast of
12 Louisiana, the first being the Patterson Plant, 600 million cubic feet a day design capacity,
13 cryogenic expander plant, processing gas off the Trunkline Gas System offshore. The second
14 being a plant we constructed in Grand Chenier, Louisiana. The Grant Chenier Plant has a design
15 capacity of 600 million a day and is a combination refrigeration/cryogenic gas plant, processing
16 gas from on and offshore on the Tennessee Grant Chenier system.

17 MR. COLEMAN: Are you familiar with all the exhibits that are contained in this
18 notebook?

19 MR. CANTWELL: Yes sir.

20 MR. COLEMAN: Have you had occasion to review all those or to participate in their
21 preparation?

22 MR. CANTELL: Yes sir.

23 MR. COLEMAN: Are they true and accurate to the best of your knowledge?

24 MR. CANTWELL: Yes sir.

25 MR. COLEMAN: I would request that Mr. Cantwell be recognized as an expert by the
26 Board in this matter.

27 MR. ROGERS: He is so recognized.

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JIM CANTWELL

Appearing as a witness on behalf of Petitioner, CDM Max, LLC, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Coleman:

Q. Jim, just for simplicity sake, would you start with Exhibit A and run through and give the Board a sketch of what these items are.

A. Each of the exhibits are our interpretation of the requirements of Step 2 in order to provide the Board with the information it requests pursuant to Rule 400. Exhibit A is a series of P&ID or pipe and instrumentation diagrams. We build our plants in a modular skid-mounted fashion, so we break these P&ID's out by individual skids. It shows the vessels and key points in each of the skids for temperature and pressure control. Exhibit B is a generalized flow diagram, a process flow diagram if you will, of the general flow of the gas through the plant and the different components. Exhibit C is our Process Safety Management guidance manual that outlines all of the testing and documentation required by OSHA, the State and CDM Max itself. Exhibit D as referenced before is my Bio. Exhibit E is our construction approval dated August 12 from Mr. Hellmich of the Board for the facility. Exhibit F and its supplement are our initial request for permission to construct to the Board. Exhibit G is the petition that you were referencing earlier for permission to construct and operate. Exhibit H is a proposed order for the Board's consideration of our request to construct and operate. Finally, Exhibit I is a letter dated September 30 from Mr. Masingill to yourself regarding posting our notice for construction and operation.

Q. Can you briefly describe for the Board the nature of this processing facility, what exactly it does?

A. CDM Max was approached by a producer in the field to provide a custom refrigeration processing facility to meet a rather unique challenge. The gas is extremely rich. It is unmarketable in the current form that it is in. It has a technical challenge of trying to make a marketable transportable NGL product while at the same time meeting a fairly

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1 stringent residue spec. The producer found that no off-the-shelf plant would provide that
2 type of specificity in the product so CDM Max was entertained to design and fabricate
3 the plan and provide this processing service from an inlet-outlet prospective for the
4 producer or producers in the field in order to try to take this unmarketable gas and
5 produce to marketable valuable products.

6 Q. The Step 2 requirement obviously indicates that there are additional matters which must
7 be submitted to the Board. CDM Max is certainly willing to do that. Are they not?

8 A. Yes sir.

9 Q. In your professional opinion, would this proposed facility be in compliance with normal
10 industry standards and practices for a facility of this type?

11 A. Yes sir.

12 Q. In your professional opinion would this facility, once it becomes operational, prevent
13 waste, promote conservation and protect the correlative rights of operators in the field?

14 A. Yes sir.

15 MR. COLEMAN: At this point I would tender the witness to the staff if there are any
16 questions, Mr. Rogers.

17 MR. ROGERS: Any questions? Dr. Bolin?

18 JIM CANTWELL

19 EXAMINATION BY BOARD/STAFF

20 Questions by Dr. Bolin:

21 Q. Mr. Cantwell, in addition to meeting industry standards and preventing waste would you
22 testify as to the fact that the plant as being proposed and designed would provide for
23 safety of operations in regard to the operators and personnel on location as well as for
24 public safety also?

25 A. Very much so, sir. We include that in our design, in our training, our operating manuals,
26 our process safety guidelines, and our hazard operations training. Very much so.

27 DR. BOLIN: Okay. Thank you. That's all the questions I have.

28 MR. ROGERS: Anything else, Mr. Coleman?

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1 MR. COLEMAN: No sir.

2 MR. ROGERS: The exhibits need to be signed. We will admit all the exhibits subject to
3 their being signed.

4 (Whereupon, the exhibits were received in evidence)

5 MR. ROGERS: We'll take a brief recess.

6 (Whereupon, the hearing was recessed for five minutes)

7 MR. ROGERS: The hearing is again in session. The exhibits have been signed and they
8 have been admitted into the record. With respect to that item the staff will review the evidence
9 and make a recommendation to the Board. That brings us to the next item, Item 22, Docket No.
10 10-27-09-06B, petition by Smackco, Limited.

11 MR. WATSON: I have one witness Mr. Rogers and would like to have him sworn in,
12 please.

13 MR. ROGERS: Will you state your name and address?

14 MR. CHAPMAN: Roger Chapman, Brewton, Alabama.

15 (Witness was sworn by Mr. Rogers)

16 MR. WATSON: Mr. Rogers, can we consolidate Docket Nos. 10-27-09-6 and 10-27-09-
17 7 for purposes of giving testimony?

18 MR. ROGERS: Those petitions are consolidated, 22 and 23. Item 23 is Docket No. 10-
19 27-09-07A.

20 MR. WATSON: Mr. Rogers, in these items that we have now consolidated for hearing
21 purposes today, Smackco is requesting the Board to enter an order granting temporary
22 abandonment status for the Appleton Unit 2-14 No. 1 (AU-1) Well and the Appleton Unit 2-15
23 No. 5 STH Well. These wells are in the Appleton Field Unit in Escambia County, Alabama. We
24 are also asking for an extension of the temporary abandonment status for the McMillan Trust 12-
25 11 No. 4 Well which is on a 160-acre wildcat drilling unit consisting of the Southwest Quarter of
26 Section 12, Township 3 North, Range 9 East, Escambia County, Alabama. Mr. Chapman, you
27 have appeared before the Board on numerous occasions and have on file an affidavit of your
28 qualifications. You are the exploration manager for Smackco, Ltd. Is that correct?

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1 MR. CHAPMAN: That's correct.

2 MR. WATSON: Are you familiar with the request that I have just outlined here for the
3 record?

4 MR. CHAPMAN: Yes sir.

5 MR. WATSON: Have you prepared or answered and responded to questionnaires that
6 are submitted by the Board on these three wells?

7 MR. CHAPMAN: Yes sir, I have.

8 MR. WATSON: I tender him as an expert, Mr. Rogers, for giving testimony.

9 MR. ROGERS: He is so recognized.

10 ROGER CHAPMAN

11 Appearing as a witness on behalf of Petitioner, Smackco Ltd., testified as follows:

12 DIRECT EXAMINATION

13 Questions by Mr. Watson:

14 Q. Let's look first at Docket No. 10-27-09-6B which relates to the Appleton Unit 2-14 No. 1
15 and the 2-15 No. 5. Tell the Board why you would like to have the temporary
16 abandonment status extended for these two wells.

17 A. These two wells are located within the field-wide unit of the Appleton Field. They are
18 not being produced at this time because they will not flow on their own without the aid of
19 artificial lift. There are two wells in the field that we are currently producing on about a
20 twelve day a month time period. We send two trained personnel up there to produce
21 those two wells but these wells will not sustain production without artificial lift. We are
22 not producing that field on a continuous basis so these wells are shut in. They are
23 recognized as unproduced recoverable oil and gas reserves in or near both of these
24 wellbores. Reprocessed 3-D seismic that was shot subsequent to the drilling of these
25 wells specifically indicate that there are remaining reserves near these wellbores that
26 could be recovered from "take points" or sidetrack wellbores out of these locations, very
27 close to them. Therefore, we are asking that these wells be continued to allow us to put
28 these in a temporary abandonment status until such time as we can secure the 100 percent

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1 of the working interest in that field. At that time we anticipate perhaps re-entering or
2 sidetracking one or both of these wellbores to a different bottom hole location but very
3 near these.

4 Q. What about the McMillan Trust 12-11 No. 4 well?

5 A. That well was originally drilled by Texaco and converted immediately to a saltwater
6 disposal well for produced saltwater from the Appleton Field and from the Appleton
7 Field only. We have maintained that well as a saltwater disposal well and performed a
8 mechanical integrity test on it in March of 2004 and it passed that. We currently inspect
9 that well when we flow the fields to make sure that we have mechanical integrity on that
10 casing-tubing annulus at all times. That well as a disposal well will be significant and is
11 considered part of the unit as operations would require us to dispose of produced
12 saltwater from that field if we make additional completions in there and put this field on
13 continuous production. We would hope to reactivate this well and use it as the primary
14 source of disposal of produced water from the Appleton Field. Currently the wells that
15 are producing produce a very small amount of water with their oil on an eight hour a day
16 basis. That water is currently being trucked out. Because it is not a significant volume
17 we are able to do that economically. However, if we do return these wells and have
18 additional production we would like to utilize this as the disposal well for the produced
19 water from this field.

20 MR. WATSON: You have completed the questionnaires from the Board as I initially
21 stated. Mr. Rogers, I would ask that those questionnaires be admitted into this record under the
22 docket numbers noted on those questionnaires completed by Mr. Chapman.

23 MR. ROGERS: The questionnaires are admitted.

24 (Whereupon, the questionnaires were received in evidence)

25 Q. Mr. Chapman, we are asking in our petition that these wells be continued in their current
26 status for one year. Within one year do you think Smackco will know what it intends to
27 do or what will be done with these two wells?

28 A. Yes sir.

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1 Q. Of course, if these wells as you have just stated are put on production it is very important
2 to have this saltwater disposal well available as it may be necessary to have it for other
3 wells in the unit. Is that correct?

4 A. That is correct.

5 Q. Would the granting of these two petitions that have been consolidated for hearing
6 purposes allow you to prevent waste and protect correlative rights?

7 A. Yes sir.

8 MR. WATSON: I tender Mr. Chapman for any questions you have on the two wells or
9 the saltwater disposal well, Mr. Rogers.

10 MR. ROGERS: Any questions from the staff?

11 ROGER CHAPMAN

12 EXAMINATION BY BOARD/STAFF

13 Questions by Mr. McQuillan:

14 Q. Mr. Chapman, in your questionnaire and your testimony you stated that the two wells that
15 are unitized here, the 12-15 No. 5 and the 2-14 No. 1, could be re-entered and
16 sidetracked. You say you would have a decision hopefully within twelve months. Do
17 you have any timeline of when you might actually do that work from that point if you
18 decide to sidetrack them or to re-enter?

19 A. State that question again.

20 Q. You stated that you think you will have a decision on what to do with these two wells
21 within twelve months, whether to sidetrack them or I suppose plug them. From that
22 point, do you have any idea, any timeline, when you might actually do that work?

23 A. I would anticipate having the work completed or at least having a permit issued to
24 sidetrack either one or two of these wells within a twelve month period and that work
25 would proceed immediately once the permit was issued. I would anticipate having a
26 decision and moving forward on that operation within a twelve month time period, not
27 just simply making a decision within twelve months but actually performing operations
28 within a twelve month time period.

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1 Q. On both wells?

2 A. On one well or both, yes. I am not going to commit to doing both of those wells if the
3 first one failed. I think we would take our best shot on either one of these two wells and
4 then if it was successful it would certainly entertain the second one.

5 Q. With regard to the McMillan Trust 12-11 No. 4, that well I understand according to
6 records is still set up as a saltwater disposal well?

7 A. That's correct.

8 Q. Again, in the questionnaire you stated that this well could also be re-entered or
9 sidetracked as well under future utility and in addition it could be used as a saltwater
10 disposal well. Is that still your position, that this could be a producer as well?

11 A. I don't think the questionnaire states that.

12 Questions by Mr. Masingill:

13 Q. Mr. Chapman, on the McMillan Trust where it says describe future utility, do you see
14 what you said there? It reads like the other one. It says in addition the field is unitized
15 and all lands are HBP. I know that applies to the other two.

16 A. We have amended that original, if that was the original. My amended petition says---

17 Q. This says revised. I'm looking at the questionnaire.

18 A. Right, I am too.

19 MR. ROGERS: Do you have another one, Roger?

20 A. Read that first sentence. What does it say on yours?

21 Q. It says the field has unproduced oil and gas reserves. Recent reprocessed seismic and
22 studies by Mancini. . . .

23 A. Right. Keep reading.

24 Q. Okay. I see at the end, it could be repermited. Now, this particular well is not in the
25 Appleton Field Unit, right?

26 A. I'm not sure if it is in the field unit proper or not. It never has been a producer. It's
27 always been a saltwater disposal well and we don't intend to incorporate it into the
28 unitized field but it is the disposal well for the field.

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1 Q. Right now it is not a permitted saltwater disposal well by the Board?

2 A. Are you making that as a statement or question?

3 Q. Kind of a statement but I don't think it is an actively permitted saltwater disposal well. I
4 know it is set up for that.

5 A. Well it has been. Only if the permit has expired would it not be. I mean, we are not
6 utilizing it. I think we performed an MIT test on it at the request of the field agent in
7 2004 so if it has expired I'm not sure we were put on notice that it had expired.

8 MR.MASINGILL: Mr. Gregory, could you clarify that? I know you are more familiar
9 with that than me.

10 MR. WATSON: The petition clarifies that. On February 1, 2005, the Board cancelled
11 the saltwater disposal permit at which time the permit for the McMillan Trust 12-11 No. 4
12 reverted to Permit No. 4991.

13 MR. GREGORY: That is correct. The well is not a saltwater disposal well.

14 Q. The point we are trying to make is that it is not an active disposal well. It is not in the
15 Appleton Unit. The unit for that well at this moment is the Southwest Quarter of Section
16 12, Township 3 North, Range 9 East.

17 A. Okay.

18 Q. What we noticed on the questionnaire where the last question says, does the operator own
19 or control 100 percent of the rights? You put not applicable. What we are asking is do
20 you own 100 percent of the unit?

21 Questions by Mr. Rogers:

22 Q. If there is a unit, do you know whether y'all have the ownership in that?

23 A. We own the fee minerals and the surface. Smackco, Ltd. does not but the McMillan
24 Family does. They are the principle owners of the company. I wasn't aware of the
25 Board's procedure of reverting back to the original 160-acre permitted unit for that well.
26 It says in respect to oil and gas under the lands. That's why I put not applicable.

27 Q. So the McMillan's own the fee simple interest in that entire 40?

28 A. Yes.

1 MR. WATSON: 160.

2 MR. ROGERS: 160. Any more questions?

3 MR. MASINGILL: We just have past correspondence related to the wells.

4 MR. ROGERS: All right. The correspondence is admitted.

5 (Whereupon, correspondence was received in evidence)

6 MR. ROGERS: Anything else, Mr. Watson?

7 MR. WATSON: That's all we have.

8 MR. ROGERS: We will review the evidence and make a recommendation to the Board.

9 MR. CHAPMAN: Thank you.

10 MR. ROGERS: That brings us to Item 26, Docket No. 10-27-09-10A, petition by
11 Energen Resources Corporation.

12 MR. WATSON: Mr. Rogers, there is an affidavit of notice in this matter that I would
13 like to have admitted into the record.

14 MR. ROGERS: The affidavit of notice is admitted.

15 (Whereupon, the affidavit was received in evidence)

16 MR. WATSON: This is a request by Energen Resources Corporation asking the Board to
17 enter an order approving the termination of Unit I in the Taylor Creek Coal Degasification Field
18 and amending the Special Field Rules deleting Rules 10, 11 and 12 relating to unit operations. I
19 have prefiled the Unit Agreement which states to the Board that the Unit Agreement that was
20 approved by this Board in its Order No. 92-5 on January 30, 1992, with an effective date of unit
21 operations February 1, 1992, be noted and that in that Unit Agreement in Article 15 there is a
22 provision that if in excess of 75 percent of the working interest owners determine that unit
23 operations are no longer profitable or feasible then they can terminate this unit. I would submit
24 to you that Energen Resources Corporation purchased the 80 percent working interest owned by
25 Meridian Oil, Inc. and by virtue of that ownership determined with a majority in excess of 75
26 percent to terminate this unit. The reason we are asking the Board to approve this termination is
27 there has been an application for a permit to be issued. That permit is on file with this Board for
28 a new well to be drilled inside this former Unit Area that has been declared terminated by the

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1 operator and recorded. An affidavit of termination has been recorded in the probate records of
2 Tuscaloosa County in Book 2005 at Page 11245 and also recorded in Greene County in Book
3 121 at Pages 349 to 373. That affidavit is signed by John S. Richardson who at that time was
4 Vice-President of Energen stating that it was the successor operator to Meridian Oil, Inc. in the
5 Taylor Creek Field and that all the wells in that Unit have been plugged and abandoned as of
6 May 23, 2005. I have a copy of the Unit Agreement and that affidavit that I would like to submit
7 for the record. I would ask that the Board incorporate my reference, Order No. 92-5, that
8 approved the Unit.

9 MR. ROGERS: That request is granted. That Order is incorporated into this record.
10 Furthermore, this affidavit and the attached Unit Agreement are admitted.

11 (Whereupon, the Unit Agreement and affidavit of
12 termination were received in evidence; Order No.
13 92-5 was incorporated by reference)

14 MR. WATSON: I would note, Mr. Rogers, that all of the royalty owners in that Unit
15 were notified of this hearing as evidenced by my affidavit of notice.

16 MR. ROGERS: All right. That affidavit has been admitted.

17 MR. WATSON: We are asking for this termination to be recognized by the Board. The
18 fact of the matter is that maybe it should have been at the time of termination but the parties did
19 not come forth at that time. We do so today because we understand that this permit application
20 that is on file cannot be handled or cannot be processed until this Unit is formally terminated by
21 the Board. I'll answer any questions that you have if I can on the request for the Board to
22 terminate.

23 DR. TEW: Mr. Watson, just for clarity. In that this field was unitized for the purposes of
24 coal methane gas recovery and was not unitized for the purposes of enhanced recovery, there
25 were no fluids injected and therefore no fluids displaced within the reservoir. Is that a correct
26 statement?

1 MR. WATSON: That is a correct statement.

2 MR. ROGERS: Let's note for the record that that becomes important because in another
3 matter involving Lower 15 some time ago there was a request to ultimately terminate a unit. The
4 Board denied that request because there had been injection into the reservoir through an
5 enhanced recovery project. At that time the Board determined that (1) it had to make the
6 determination that a unit should be terminated and (2) that it would not terminate that unit
7 because there had been injection. In this case, however, as you just pointed out there had been
8 no injection.

9 MR. WATSON: As is typical in all coalbed units thus far. I was just not sensitive to that
10 particular point upon which the Board made that ruling but certainly is not applicable here since
11 there has been no injection of unitized substances.

12 MR. ROGERS: We do note that by terminating this, this would allow just a regular
13 drilling and production unit to be established by this company that wants to drill a coalbed
14 methane well. We required that the operator notify all the owners, working interest and royalty
15 interest owners in the unit. We note that there is no one here to object.

16 MR. WATSON: I did do that.

17 MR. ROGERS: Mr. Watson did that. Mr. Masingill.

18 MR. MASINGILL: Mr. Watson, I may have missed that. A part of this request also is to
19 amend the field rules to basically revise the rules to get rid of the references to this Unit that was
20 in the Taylor Creek Field. Is that correct?

21 MR. WATSON: Absolutely. Rules 10, 11 and 12 should be deleted and the rules have
22 been restated in my petition and proposed order.

23 MR. ROGERS: Anything else, Mr. Watson?

24 MR. WATSON: That's all.

25 MR. ROGERS: We will review the evidence and make a recommendation to the Board.
26 The last item set for today is Item 27, Docket No. 10-27-09-11A, petition by Hughes Eastern
27 Corporation.

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1 MR. WATSON: I have one witness and would like to have him sworn in, please sir.

2 MR. ROGERS: Will you state your name and address?

3 MR. PAWLIK: Emil Pawlik, Jackson, Mississippi.

4 (Witness was sworn by Mr. Rogers)

5 MR. WATSON: Mr. Rogers, I have prefiled an affidavit of notice in this matter and
6 would like to have it included in the record.

7 MR. ROGERS: The affidavit of notice is admitted.

8 (Whereupon, the affidavit was received in evidence)

9 MR. WATSON: My witness, Mr. Emil Pawlik, has appeared before you on numerous
10 occasions and has on file an affidavit of his qualifications as a petroleum engineer. Mr. Pawlik,
11 are you familiar with the petition here today asking the Board to approve an exceptional location
12 for the re-entry of the Jones 8-15 No. 1 Well?

13 MR. PAWLIK: I am.

14 MR. WATSON: Have you prepared exhibits in support of that request?

15 MR. PAWLIK: Yes I have.

16 MR. WATSON: I tender Mr. Pawlik as an expert witness, Mr. Rogers.

17 MR. ROGERS: He is so recognized.

18 EMIL PAWLIK

19 Appearing as a witness on behalf of Petitioner, Hughes Eastern Corporation, testified as
20 follows:

21 DIRECT EXAMINATION

22 Questions by Mr. Watson:

23 Q. I have handed up to you and members of the staff a booklet of exhibits. I would ask Mr.
24 Pawlik first before he starts going through his exhibits to briefly tell you what he
25 proposes to do with this well in this area of the field.

26 A. We want to re-enter the Jones 8-15 No. 1 to either complete it as an oil well in the
27 Southeast Bluff Oil Unit or if on testing it doesn't make oil then convert it to an injection
28 well. Both Phillip Reeves and myself testified when the Unit was first proposed on

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1 September 28, 2005, that we did not feel this well was in the Unit because it had made
2 only gas. It was completed at that time below what we thought was the gas-oil contact in
3 the reservoir. Therefore, we felt like it must be separated in some manner. The reason
4 we are here now is we have proposed to the working interest owners that we re-enter this
5 well and test it because early this year after the Unit oil production had increased to about
6 25 barrels a day we have seen a steady decline in production even though we continue to
7 inject water. The oil production should not have peaked at this early stage. We still only
8 have some 60 percent of the water injected and what we feel like we need to completely
9 fill up the gas saturation in the reservoir. We feel like the area of that gas cap covers
10 more area than we originally thought and that is why we have made this proposal. I'm
11 here today to show that from pressure history of the two wells that were completed in this
12 gas cap that there is at least pressure communication between the two wells. The other
13 well is in the Unit so this well looked like it should be in the Unit also. I don't know if I
14 stated before but this well, the Jones 8-15, is within the unit outline of the Southeast Bluff
15 Oil Unit.

16 Q. All right sir. Let's look at your first exhibit that is in support of your request today, Mr.
17 Pawlik. Describe the information shown on that exhibit.

18 A. This exhibit is the location plat for the well. It shows a 40-acre unit outlined in green. It
19 also shows the northern and the western limits of the Southeast Bluff Oil Unit in red.
20 You will note that this well is 220 feet south of the North line of the Southeast Bluff Oil
21 Unit and 1,100 feet from the South line. The distance is 1,980 feet from the East line.

22 Q Rule 17 (a) & (b) of the Special Field Rules require that every well drilled as an injection
23 or production well shall be located at least 330 feet from every exterior boundary of the
24 Unit Area. This well is closer than that. Is that correct?

25 A. That is correct.

26 Q. Go to your Exhibit No. 2.

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1 A. Exhibit No. 2 is another plat. This one is showing the outline of the Bluff Oil Field. It is
2 shown in orange. Also shown in the green dashed lines is the existing area of the
3 Southeast Bluff Oil Unit. The well is also shown in the top of it and as I said before it is
4 within the Southeast Bluff Oil Unit limits.

5 Q. All right sir. Your Exhibit No. 3.

6 A. This is a dual induction log section. It shows on the right the base of the Millerella depth,
7 the top of the Carter. The top of the Carter we are not calling in this well 2,340. This is
8 the correlative top of the Carter sand. The maps that we used before in this well were
9 drawn on the top of the porosity or the top of the development and so we have had to
10 remap it to show the correlative top of the Carter. The perforations in the well when it
11 was completed in a Carter sand were 2,352 to 2,362. The well had a cumulative
12 production of 556 million cubic feet. It IP'd at 1,802 Mcf/day.

13 Q. Exhibit No 4.

14 A. Exhibit No. 4 is the density neutron log section. It also shows some of the same
15 information that was on the dual induction log. I want to state that the darkened area on
16 the density neutron log shows the effective porosity in this well somewhere between 2 to
17 2.5 feet, a very small amount of porosity, although the porosity was very good averaging
18 12 percent.

19 Q. The next exhibit is a Board form.

20 A. Exhibit 5 is the application to re-enter and covert this well to a producer or an injection
21 well.

22 Q. Exhibit 6, your affidavit of ownership and control.

23 A. That is the affidavit of ownership and control. We do control the unit area; this well
24 being located in the Southeast Bluff Oil Unit in which we propose to put this well in.
25 We do have control of that acreage.

26 Q. Look at Exhibit No. 7, Mr. Pawlik, which contains a lot of information. Would you
27 describe that for us, please, sir?

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- 1 A. Well I think this is the most important of the exhibits. I stated at the very beginning that
2 there was some reason to believe that this gas cap may be larger than what we previously
3 anticipated due to the poor performance or the performance drop off in March of this year
4 or actually after March of this year. What we did is we went back and looked at the
5 original completion in this reservoir which was the Atkinson 17-1, the discovery well. It
6 had an original bottom hole pressure of 978 pounds which is the dark circle on the very
7 left of the graph. There was another pressure taken in this well on June 11, 2009, after it
8 produced about 7.67 million cubic feet of gas. At that time it was recorded at 965
9 pounds. This is when the pipeline was finally installed into the field. This was an area
10 that didn't have the infrastructure so it was put on production about June 11th when this
11 second pressure was taken. Later that year in December of 1979 the subject well, the
12 Jones 8-15, was drilled and completed. As you will see in it they ran a pressure on it
13 immediately after completing the well on December 28th. Its pressure, original bottom
14 hole pressure was 927 pounds or a loss of some 51 pounds after the reservoir had
15 produced about 52 million cubic feet from the Atkinson well. To me this shows that
16 there was pressure communication between the two wells. These two wells if I'm not
17 mistaken are some 2,500 feet apart, well, 2,095 feet apart. It looks like they are in
18 pressure communication. After the Jones well was put on production you can see how
19 the decline of the Atkinson well greatly increased from what it was showing before
20 putting the Jones well on production.
- 21 Q. I know that the record reflects this exhibit but we went from the Atkinson being tested in
22 1978 to when you talked about the pipeline and everything being put in. That was in
23 2009 when you had that done.
- 24 A. It wouldn't be 2009. That would be and should be 1979.
- 25 Q. It should be '79, right?
- 26 A. That's a mistake.

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1 Q. You stated '79 but this shows---we will make that correction on the Board's copy. That
2 should be '79 because you said the next year and that is what keyed me to that, Mr.
3 Pawlik.

4 A. I'm glad you caught that.

5 Q. Let's go to your next exhibit, Exhibit No. 8, the well configuration.

6 A. This is a well schematic as the well is presently completed. It was plugged and
7 abandoned in March of 1989, some 20 years ago. It shows a bridge plug at 2,550 which
8 had isolated the Lewis sand. A 400 foot cement plug was placed in the well from 2,150
9 to 2,550 and also cement plugs in the annulus and in the surface casing in the top of the
10 well. We will drill those plugs out and clean out below the perfs and retest this Carter
11 sand.

12 Q. Your work-over procedure is outlined in a revised Exhibit No. 9.

13 A. That is correct. That is the proposed work-over procedure for this re-entry.

14 Q. The staff requested in Item 3 that you test the casing to 1,000 psi. I believe by including
15 that you have agreed to do that in this work-over procedure. Is that correct?

16 A. Yes, that is correct.

17 Q. Exhibit 10 is your letter to the working interest owners outlining the work that you
18 propose to do in this well. Would you briefly describe that letter and tell us about the
19 response you have had from that letter?

20 A. Yes. We sent this letter out on September 8, 2009, asking the working interest owners to
21 approve this re-entry and completion. As you see the AFE was for some \$36,800. We
22 have had very good response. We have had 97 percent approval and we have had no one
23 disapprove it. We just haven't heard from everybody.

24 Q. So your plans as outlined in your testimony and exhibits here are primarily to get an
25 exceptional location approved, the 220 foot as opposed to the 330 required by the Rule 17
26 (a) & (b) that I mentioned earlier. If the Board sees fit to grant that exceptional location,
27 what you have done here is given them the two options, either to make this well a

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1 producing well in the Unit or if it doesn't produce then to make it an injection well to
2 further enhance recovery from the unitized formation. Is that correct?

3 A. That is correct.

4 Q. If this well is to produce oil from the unitized formation, won't you have to come back to
5 the Oil and Gas Board at that time?

6 A. Well, I hadn't thought about it, if it makes oil. I guess we do. I guess we do have to
7 come back. We will have to redetermine the reserves. I don't know if we need to come
8 back before we get approval to produce the well but we will have to come back to do a
9 redetermination of ownership and control and possibly enlargement of the Unit,
10 depending on how the reservoir might enlarge. Yes, we will have to come back.

11 Q. That was my question. If it is an oil producer, if it is completed as an oil producer we
12 would have a redetermination hearing once all that information is in and available in
13 accordance with the Unit Agreement and Unit Operating Agreement, correct?

14 A. That is correct.

15 Q. Another question, Mr. Pawlik, in view of the fact that this is an exceptional location, 220
16 feet off the North line, is the ownership in the offset 40 common to this area?

17 A. Yes it is.

18 Q. Mr. Pawlik, usually we ask this question at the conclusion of the testimony but it seems
19 to me that the granting of this petition giving you an opportunity to re-enter this well to
20 possibly recover additional hydrocarbons would certainly prevent waste. Alternatively, if
21 this well is completed as an injection well that certainly would enhance the recovery of
22 hydrocarbons and therefore waste would be prevented in either case. Is that your
23 statement?

24 A. That is correct. We feel like this is a very necessary well to the Unit in either case.

25 Q. Also, would correlative rights be protected if this petition were approved?

26 A. Yes it will be.

MR. WATSON: Mr. Rogers, I would ask that you receive into the record of this hearing Exhibits 1 through 10 to the testimony of Mr. Pawlik.

MR. ROGERS: The exhibits are admitted. I assume Emil is going to change that date on this copy.

MR. WATSON: We will correct that.

(Whereupon, the exhibits were received in evidence)

MR. WATSON: I tender Mr. Pawlik to you for any questions you have on this item

MR. ROGERS: Dr. Bolin.

EMIL PAWLIK

EXAMINATION BY BOARD/STAFF

Questions by Dr. Bolin:

Q. Mr. Pawlik, if you will, look at your Exhibit No. 1 to the red line that is shown in the lower left-hand corner where it says Unit line. Right below that in the explanation it says drilling unit. It's not really a drilling unit but is that the unit boundary outline as otherwise indicated?

A. That is the Southeast Bluff Unit outline and not the well unit.

Q. If you will, turn to Exhibit 5 which is the application to re-enter the well. It is my understanding based on your testimony that you will initially try to complete this as a producing oil well. Is that correct?

A. What we will do is we will swab test it several days and see what the well tells us. If it looks like we have a commercial oil well and I'm thinking probably better than any of the wells we have there now which is about seven barrels of oil a day, we may produce it. If there is not any appreciable oil saturation around this wellbore then we will go ahead and submit our proposals to make it a water injection well. In other words, send in our forms for injection status.

Q. That was what I wanted to clarify in regard to the remarks there on Exhibit 5 for that application. It says to re-enter and convert to producer or water injection well. I want to

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1 make sure that we understood that there were additional requirements relative to the UIC
2 rules that require additional permitting if you are going to make it a water injection well.

3 A. I understand.

4 DR. BOLIN: That's all the questions I had.

5 MR. ROGERS: Any other questions? With that change made on the exhibit, the exhibits
6 are admitted. Anything else, Mr. Watson?

7 MR. WATSON: No sir.

8 MR. ROGERS: We will review the evidence and make a recommendation to the Board.

9 Thank you. Anything else for the hearing? The hearing is adjourned.

10 (Whereupon, the hearing was adjourned at 11:25 a.m.)

REPORTER'S CERTIFICATE

STATE OF ALABAMA

COUNTY OF TUSCALOOSA

I, Rickey Estes, Hearing Reporter in and for the State of Alabama, do hereby certify that on Tuesday, October 27, 2009, in the Board Room of the State Oil and Gas Board Building, University of Alabama Campus, Tuscaloosa, Alabama, I reported the proceedings before a Hearing Officer in Regular Session; that the foregoing 42 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

I further certify that I am neither kin or counsel to the parties to said cause, nor in any manner interested in the results thereof.


Rickey Estes
Hearing Reporter